

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
July 21, 2005

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, July 21, 2005, at 1:00 P.M. in the 12th Floor Training Room, Parkway Towers, Nashville, Tennessee.

The following members were present: Bill Bruce, Gerald Reed for Riley Darnell, Peter Abernathy for Dave Goetz, Winston Henning, Eddie Latimer, Ann Butterworth for John Morgan, Alvin Nance, Ralph Perrey, Brad Rainey, Sharon Reynolds, Janice Cunningham for Dale Sims, and Carl Tindell.

The following members were absent: Robyn Askew, Tim Bolding, Bob Cooper, Loretta Jercinovich, Ronnie Knight, Gerald Konohia, Tom Mottern and Jackie West.

Chairman Latimer called the meeting to order and opened the floor for public comment. There were no public comments.

The first item on the agenda was approval of the May 19, 2005, meeting minutes. Upon motion by Mr. Reed, seconded by Mr. Bruce, the minutes were approved as distributed.

Ms. Janice Myrick, Executive Director, presented service award certificates to Amy Newport, Division of Internal Audit, for 5 years; Shirley Brown, Division of Homeownership, for 20 years service; and Ron Erickson, Director of Internal Audit, for 25 years service.

Chairman Latimer asked Ms. Myrick to discuss the monthly report. Ms. Myrick noted that the report contains June 30, 2005, data and provides a year-end recap of the FY04-05 budget. She pointed out that expenditures are well within the budget. The semi-annual employee breakdown by age and race is also included in the Board Report. A new report added this month shows the breakdown of THDA resources by program and activity. Ms. Butterworth commented that the information in this report would be useful to fulfill performance measures during budget presentations. Ms. Myrick urged members to be available for the entire day of meetings on September 22, 2005, because presentation of the FY06-07 budget proposal is on the agenda.

Chairman Latimer asked Ann Butterworth to report on the Bond Finance Committee meeting. Ms. Butterworth said the Bond Finance Committee recommended a Reimbursement Resolution for Board approval. The Reimbursement Resolution authorizes use of up to \$25 million to make mortgage loans from available agency funds prior to the closing of Issue 2005-1 on July 28, 2005. Agency funds used to make mortgages will be reimbursed once funds from Issue 2005-1 become available. Upon motion by Ms. Butterworth, seconded by Mr. Reed, the Board approved the Reimbursement Resolution.

Ms. Butterworth reported that the Bond Finance Committee considered a policy for selling low-balance mortgage loans in the Agency's portfolio. The Bond Finance Committee recommended Board approval of the policy with Option 2, as described in the Board material. Mr. Fellman stated the Policy & Programs Committee also recommended Option 2. Upon motion by Ms. Butterworth, seconded by Mr. Bruce, the Board approved the policy incorporating Option 2.

The report of the Search Committee was next. Chairman Latimer reported 155 applications for the Executive Director position were received by the deadline. The Committee selected 12 candidates to interview in early August. After the first round of interviews, the Committee expects to select 3 to 4

candidates for a second round of interviews in late August. Mr. Latimer said the Committee should have a recommendation for the Executive Director position for Board approval at the September meeting.

The Policy & Programs Committee report was next. Mr. Rainey said the Committee deferred consideration of non-traditional mortgages to immigrants and spent a good deal of time providing staff with guidance regarding the discussion points for the 2006 Low Income Tax Credit Qualified Allocation Plan ("2006 QAP"). The 2006 QAP will be brought to the Board for its consideration in September. Mr. Rainey said the meeting with the legislature to discuss the 2006 QAP was not discussed during the Committee meeting.

Chairman Latimer stated it was proposed during the 2005 QAP approval process last year that the Agency be more proactive in communicating with the legislature regarding the 2006 QAP approval process. In addition to having a forum for legislators, Mr. Bruce suggested having informal, one-on-one contact with legislators who have had input in the past. Mr. Bruce will work with Lynn Miller to develop the list of legislators for one-on-one meetings. Mr. Rainey said he would meet with Shelby County legislators. Ms. Myrick and Ed Yandell will work on setting up a forum for legislators.

Next was the report of the Grants Committee. Mr. Reed said the Committee considered the Community Investment Tax Credit Program. TCA Section 67-4-2109 was amended to allow any financial institution a credit against their franchise and excise tax obligations when they invest in at least one eligible low-income housing activity carried out by an eligible non-profit. THDA and the Tennessee Department of Revenue (TDOR) have worked together to draft a preliminary program summary. THDA will be responsible for certifying the financial institutions' contribution as eligible for the tax credit and will establish program debarment criteria for non-profit agencies who fail to accomplish funded activities. Reagan Farr, Deputy Director with TDOR, briefly explained the program and TDOR's role which includes providing the tax credit to the financial institutions and working with THDA to make sure the funds committed are used in the manner intended. Upon motion by Mr. Reed, seconded by Mr. Perrey, the Board approved THDA's role in the program. Mr. Nance and Mr. Henning abstained from voting.

The Grants Committee also considered the BUILD Loan Program. Mr. Reed said the Board discussed and prioritized areas of focus for future programs. Developing new funding mechanisms for non-profits was determined to be a high priority. Staff drafted a program proposal for a revolving loan fund for non-profits that could be funded by funds from the bond resolutions. The Committee discussed the first draft of the proposal and deferred the issue while staff continues to work on the program based on input from the Grants Committee.

Mr. Reed said the Grants Committee also considered funding housing for persons with mental retardation. The Agency has worked with the Division of Mental Retardation Services (DMRS) to address DMRS's mandate to move more of their residents into community-based housing. DMRS has determined that they have an immediate need for housing assistance for 130 non-ambulatory clients in Shelby County. Mr. Reed said DMRS does not have a financing mechanism in place to construct the units. To assist DMRS with the critical need in Shelby County, the Agency could make \$1 million in short term financing and \$1 million in grant funds available to build 12 housing units during the next year. Staff's recommendation is that the funding be discretionary funds in the bond resolutions.

Mr. Reed moved to approve the proposal conceptually as outlined in Ms. Myrick's July 8, 2005, memo with authority delegated to the Bond Finance Committee for program details if needed prior to September meetings. Mr. Bruce seconded the motion. The Board discussed the proposal, but found there were still many details to be worked out and finalized with DMRS. Ms. Butterworth stated that the Bond Finance Committee will consider the bondholders and rating agencies in making its decision about removing funds from the bond resolutions to fund the program, but she was not sure they would want to

take over the program aspects. Chairman Latimer called for a vote on the motion to authorize the Bond Finance Committee to make the final policy decision related to how the program will work and if the Bond Finance Committee has not met by the next Board meeting, authority for the program reverts back to the Board. Board members will be notified if there is a Bond Finance Committee meeting and invited to join the meeting in person or via telephone. Board approval was unanimous.

Mr. Reed said the Grants Committee considered a revised HOME matrices. During the scoring process, an error was made when Hartsville-Trousdale County was included on the Upper Cumberland matrix instead of the Greater Nashville matrix. Staff revised the two matrices in accordance with THDA's published allocation plan and made the appropriate financial adjustments to the other cities impacted. No city or county has disputed the action taken to correct the error. Upon motion by Mr. Reed, seconded by Mr. Henning, the Board approved the revision of the Greater Nashville and Upper Cumberland matrices.

Mr. Reed stated the Grants Committee heard a report from Lorrie Shearon, Director of Research, Planning & Technical Services Division, on the results of a HOME Survey completed by the Research Division. Of particular interest was the favorable response received regarding satisfaction with the methodology adopted in 2003 which distributed funds based on the nine development district regions. He said Ms. Shearon and her staff will continue to look at the issue particularly in regard to how West Tennessee is impacted.

Chairman Latimer asked Ms. Myrick to provide information on Other Matters. Ms. Myrick stated she was scheduling Board orientations for new Board members. She will meet with Loretta Jercinovich and Sharon Reynolds in Nashville on August 11 and on August 22 with Robyn Askew in Knoxville. Ms. Myrick said anyone interested in attending either of these meetings are welcome or she will schedule other orientations as needed. Ms. Myrick said the orientation sessions will be very beneficial before the budget discussions at the September meetings.

Regarding planning priorities, Ms. Myrick stated the top two priorities were setting up loan pools for non-profits and strategic financial management of bond resolution funds. The BUILD Program the Board heard about today addresses loan pools for non-profits. Two programs coming through the Grants Committee addresses using bond resolution funds. A chart in the Board material titled "Funding Special Programs and Initiatives" outlined the planning priority items and possible funding sources.

Ms. Myrick said the Tennessee Financial Integrity Act Report was discussed at Audit & Budget Committee in May. This is an annual report to the Comptroller and the Commissioner of Finance & Administration regarding the Agency's internal controls. In the report, the Executive Director must attest that internal controls are in plan and report any weaknesses. Ms. Myrick said this year's report indicates there are no unresolved problems.

In the update on federal legislation, Ms. Myrick briefly mentioned the bills on the list included in the Board packet. Bills important to the Agency are the Affordable Housing Tax Credit Enhancement Act which would increase the amount of the annual state housing credit per capita allocation from \$1.85 to \$3.70 beginning in 2006; the Individual Alternative Minimum Tax Repeal Act of 2005; and the House FY 2006 HUD spending bill which appears to fund Section 8 vouchers sufficiently to continue the program at the current level.

To update the Board on state legislation, Ms. Myrick referred to a list of bills that were passed and put into law that was included in the Board packet.

Ms. Myrick called attention to a report on THDA funds available to persons with disabilities included in the Board packet. She said this paper was presented to the Tennessee Council on Developmental Disabilities (DDC) for inclusion in their five year plan. DDC must submit the plan to the federal agency that funds them.

Ms. Myrick thanked the Board for their response about rescheduling the September Board and Committee meetings. The September meeting has been changed from September 15 to September 22.

The NCSHA Annual Conference will be held September 24-27, 2005, in Boston, Massachusetts. Ms. Myrick said the annual conference has a governance track for Board members and the other sessions with industry experts are very beneficial. Chairman Latimer encouraged the Board members to attend the Annual Conference or Board Workshop either this year or next.

Chairman Latimer said the Governor's office indicated that the Governor would be available to be the luncheon speaker for a one day housing summit on October 11. The summit would include sessions to focus on general topics such as rental housing, homeownership, and homebuyer education. He asked Board members to set aside the day to attend and be introduced at the summit.

Chairman Latimer said the City of Clarksville held a housing summit recently attended by people from around the state. Representatives from the Realtors association, public housing associations, and mayors association all expressed their interest in seeing the HOUSE program reinstated. He said the Administration is discussing the program, but it is challenging for them to raise a tax issue. Ms. Myrick stated Representative Nathan Vaughn still has the bill and is already meeting with the Administration regarding the HOUSE Program.

There was no further business to come before the Board and the meeting adjourned.

Respectfully submitted,

Janice L. Myrick
Executive Director

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